# Indiana Utility Regulatory Commission

**Natural Gas Forum** 

June 21, 2004

Northern Indiana Public Service Company



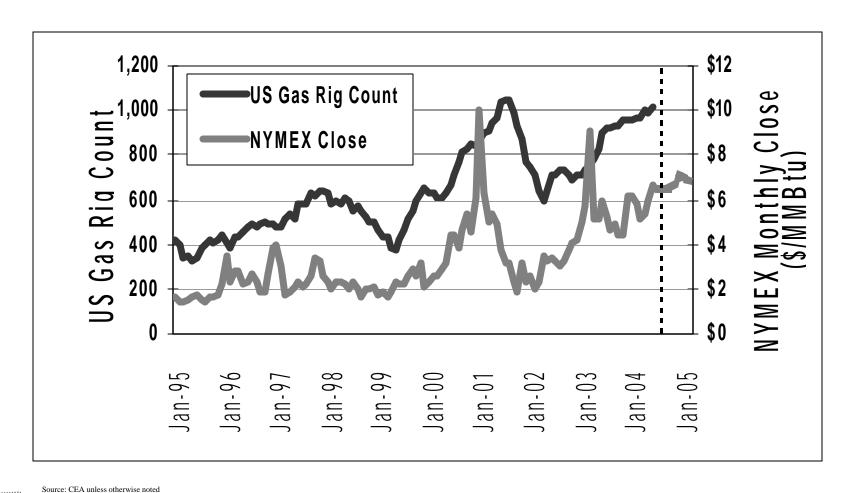
## **Today's Discussion**

- Opening Remarks
  - Michael Martin, Director, Regulatory Policy
- National Perspective
  - Mark Maassel, President
- NIPSCO Strategy Portfolio Diversity
  - Karl Stanley, Mgr Gas Trading, Energy Supply Services
    - Physical Diversity
    - Price Diversity
    - NIPSCO Customer Outreach
- Pipeline Integrity Management
  - Tom Nickells, Pipeline Integrity Coordinator





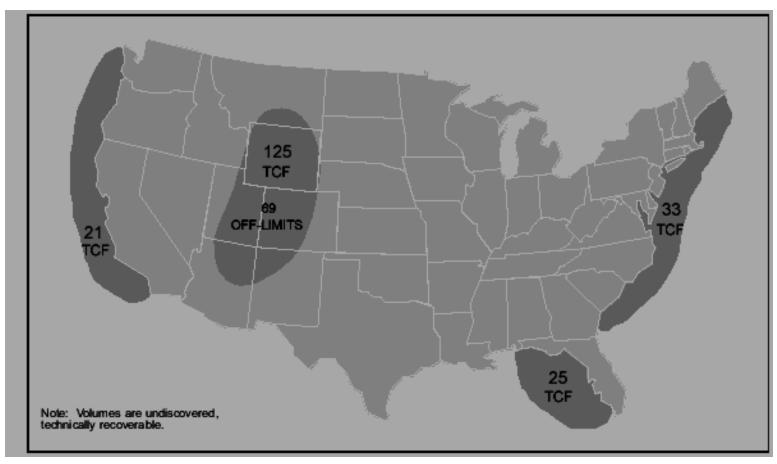
#### The Supply Picture





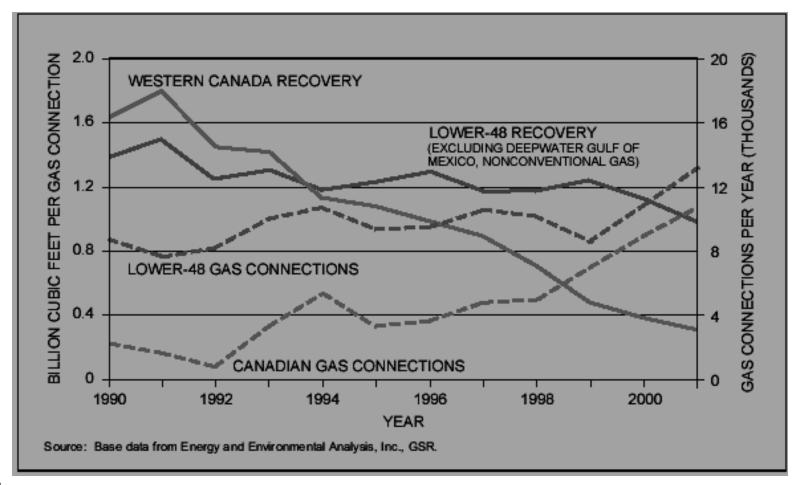
## **National Perspective** Alaska Natural Gas Exists... Mackenzie Delta Western Canada ocky ountain West Coast **East Coast Midcontinent Gulf Coast Mexico** Florida Coas A NiSource Company

#### Not All of it Can Be Accessed



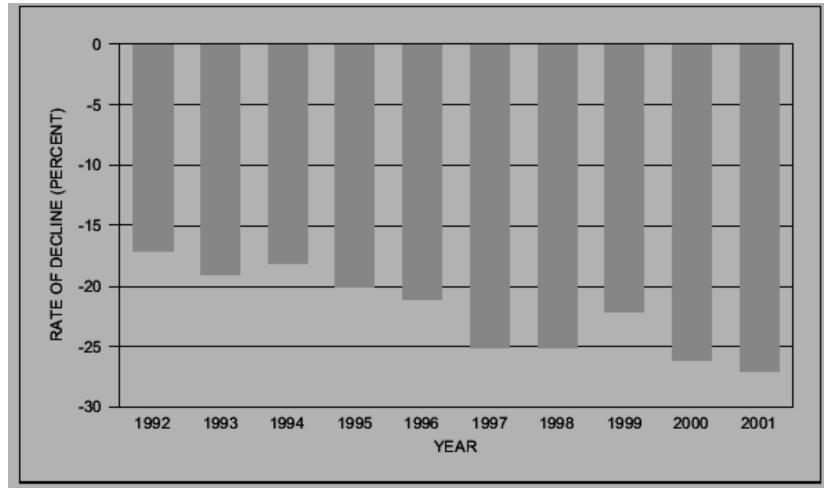


Drilling, with No Increased Gas Production Because...





#### Well Depletion Rates are Increasing





#### Increased Access to Gas Supply is Needed

#### **Potential Growth in North American Gas Supplies**

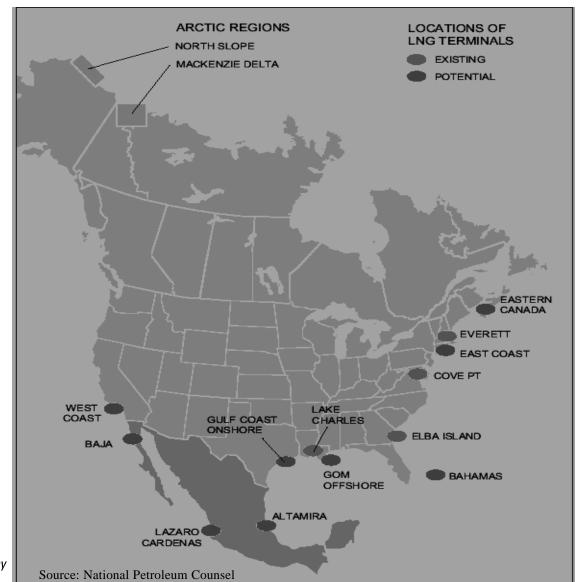
	Production (Tcf)			Absolute Growth
	2002	2007	2012	2002-2012
WCSB	16.8	17.4	18.0	1.2
Eastern Canada	0.5	0.5	1.3	0.8
Western United States	6.1	7.5	8.3	2.2
Gulf Coast	26.0	28.2	28.9	2.9
<b>Total Traditional Supplies</b>				7.1
LNG	0.6	6.5	7.7	7.1
Alaska/Arctic <sup>1</sup>	0.0	0.0	5.4	5.4
<b>Total All Supplies</b>				19.6

(1) Estimated to hold 44 Tcf of proven reserves in Alaska and 160 Tcf of potential reserves in the Arctic.

Source: TCPL



#### Liquified Natural Gas (LNG)





Several Factors Influence Gas Prices

Deveral Lactors influence Gas Lifees				
Natural Gas SUMMET RECAD				
Last Summer	Summer Season	This Summer		
	ECONOMY			
	WEATHER			
	DEMAND			
	STORAGE			
	SUPPLY			
	Price Pressure			
UPWARD		UPWARD 11		

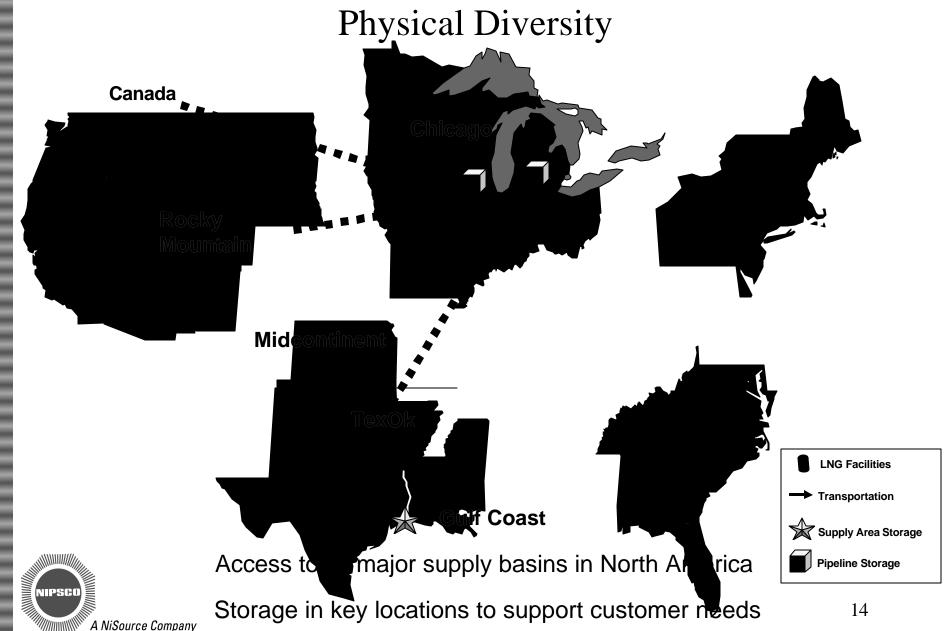


Source:Natural Gas Supply Association

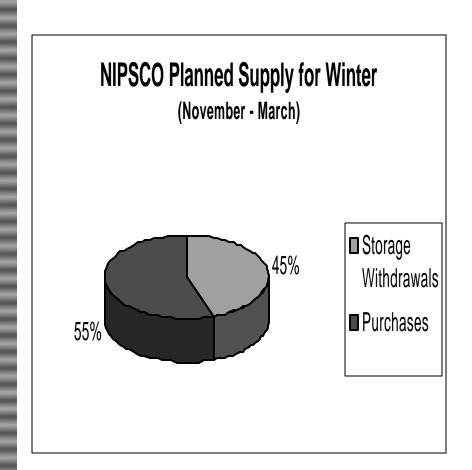


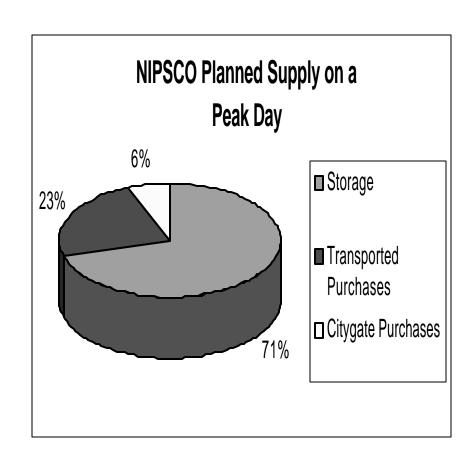
- Portfolio Diversity
  - Supply reliability
  - Supply pricing (basis differential)
  - Flexibility
  - Volatility mitigation
- The Strategy Balances Economic Risks While Meeting Commitment to Provide Safe, Reliable Supply for Customers





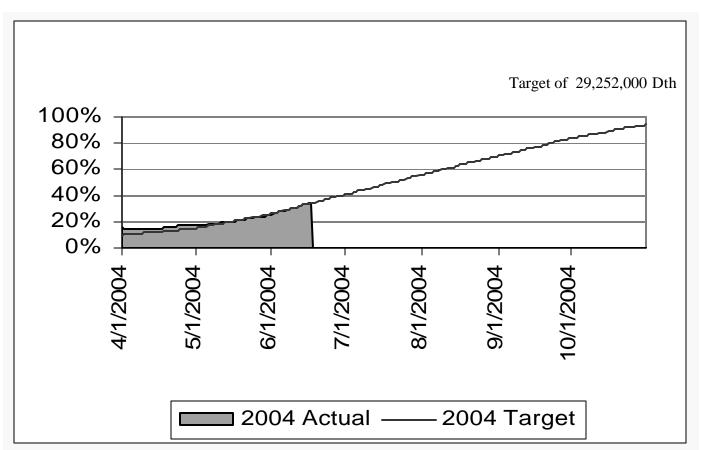
#### Storage is Key to Serving Customers





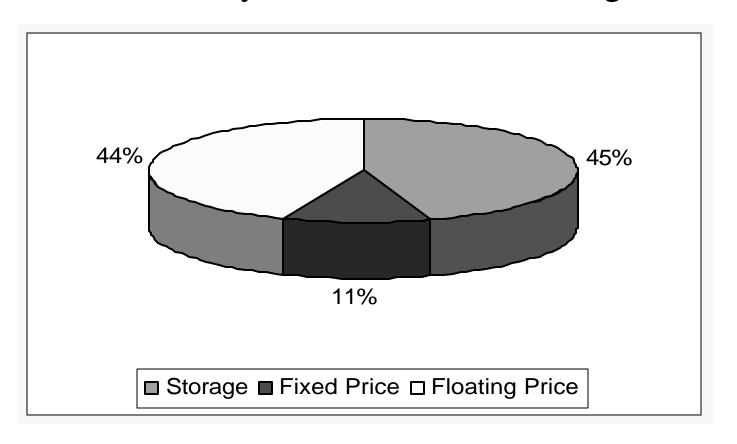


On Target for Customers Needs in Winter 2004-2005





Price Diversity - Fixed Versus Floating Price

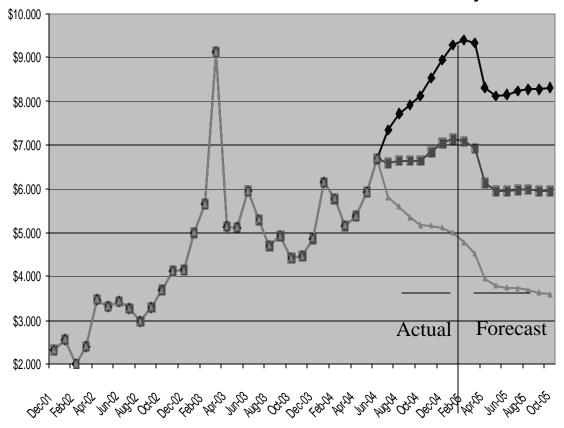


- Fixed means that the price does not change
- •Floating means that price may change

A NiSource Company

Changes in Future Prices Will Occur

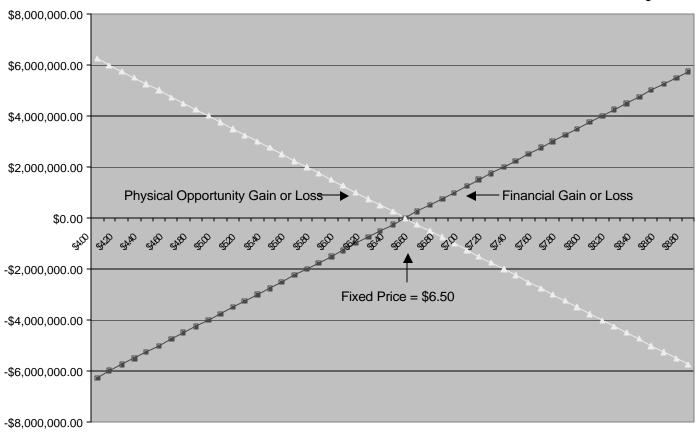
#### Future NYMEX Price Settlement Projections



- National / international factors, weather and supply and demand impact prices
- Whether prices rise or fall is unknown

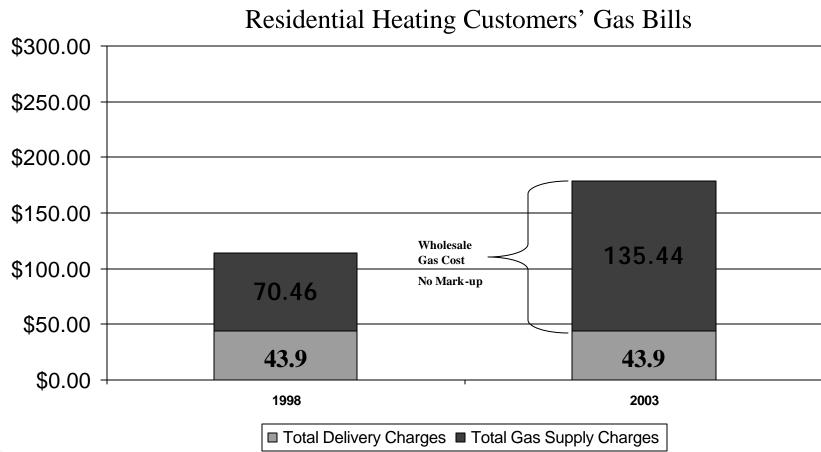


#### Financial Tools Reduce Volatility



- Hedges offset the actual purchase price of gas
- Given NIPSCO's size, lower costs if middlemen are eliminated

# Typical Reside Tip PUFO he Month of Laryar Pusing 1997 The Diversity NIPSCO's Delivery Charges vs. Gas Supply Charges NIPSCO Base Rates Have Not Increased





### **NIPSCO Customer Outreach**

#### Customer Education ...

- Natural gas and electric safety
- Customer Assistance Programs
- Customer Payment and Billing Options
- "NIPSCO Choice" Products and Services
- Encourage wise use of energy
- Special Energy Assistance Programs
- Weatherization Programs
- Charitable Contribution Opportunities



### **NIPSCO Customer Outreach**

#### **Customer Communication**



- Prepare for Summer Storms · What Is the Environmental Cost

News you can use and information tip

#### Where Are Natural Gas Prices Headed This Winter?

While we can't predict what the weather will be like this winter. many energy industry experts are forecasting that, nationally, the price of natural gas will probably remain unsteady and at higher levels than they were just a few years ago.

The situation is a study in supply and demand. In short, the need for natural gas is currently greater than the industry's ability to provide enough supply, which leads to swings in the market price. In the past, producers charged lower prices for natural gas during the summer when there was less demand for home heating and other traditional uses. That's why many natural gas utilities usually buy most of their supply of natural gas from producers during the summer months and place it in underground storage for the winter. Local utilities pass through the cost of natural gas to customers without markup.

More and more, though, natural gas is being used as an alternative fuel to coal to power electric generation plants. That means that peak demand for electricity for air conditioning and other uses during the summer also drives up demand for natural gas to produce the electricity. Combined with the increasing demand for residential use and for industrial operations, the need for clean-burning, efficient natural gas is growing faster than producers can provide it. And when demand exceeds available supply, prices go up.

Other factors have also affected the price of natural gas this year. The war in Iraq and other political tension in the Middle East, as well as strikes by oil producers in Venezuela, had direct impacts on the price of oil and continue to apply pressure that helps keep prices unsteady. Since natural

gas is often used as an alternative fuel to oil, price trends in the natural gas market have tracked oil prices closely.

Check your billing package over the coming months for updates on the natural gas market situation and how it affects your energy cost and use. Rest assured that we will have an ample supply of natural gas to keep vou warm and comfortable on even the coldest days this winter, and we're doing everything we can to secure our natural gas supplies at the most competitive prices available to us.

For information on payment services and assistance programs that can help you reduce the impact of unsteady gas prices and higher winter heating bills on your household budget, call our DirectLink automated self-service at the number shown on your bill, or visit our Web site.

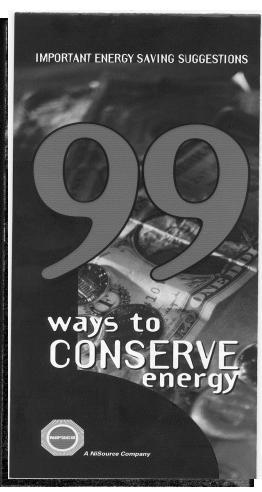
## **How NIPSCO Communicates With** Our Customers ...

- NIPSCO Energy News Quarterly newsletter
- Monthly bill inserts
- Our website at www.nipsco.com
- Consumer Advisory Panels
- Natural Gas Update Forums Every Fall
- Ongoing News Releases



#### **NIPSCO Customer Outreach**

#### Additional Helpful Hints....



- Mailed free to our customers upon request, the brochure offers customers 99 ways to conserve energy and save on their energy bills,
- Residential usage per customer has reduced



## Pipeline Integrity – Safe, Reliable Gas Delivery



#### Safe Reliable Gas Delivery – Long Standing Priority

- NIPSCO always was and will be committed to safety and reliability
- Pipeline integrity adds new testing and education requirements
- Being addressed on several fronts
  - Nationally coordinated by AGA
  - In Indiana facilitated by LDC's
  - By NIPSCO
- Initial Steps include
  - Assessment of pipelines owned by distribution companies
  - Determination of "Transmission lines"
  - Determination of "High Consequence Areas"
  - Plan Development
  - Pipeline Testing
  - Customer Education



#### **Communication Efforts**

- Completed self-assessment of our current public education programs in compliance with RP 1162
- We are actively working to improve our public communications with respect to pipeline safety
  - NiSource team inventory of current initiatives and best practices
  - IUPPS involvement contractor education
  - LDC based initiatives



#### **Integrity Management**

- NIPSCO's Objective is to provide for the safe, reliable delivery of natural gas
  - Goal is to complete required integrity work without customer interruptions
- NIPSCO Forms Pipeline Integrity Team in September 2002:
  - Gas Systems Operation
  - Engineering
  - Corrosion control
  - Mapping and Records
  - Forestry
  - Real estate
  - Communications
  - Information Technology
- Team meets periodically with Indiana LDC peers and NiSource affiliated LDC's and Pipeline groups to discuss compliance.
- Team will meet with IURC Pipeline safety staff
- 805 miles of Transmission lines and 97.25 miles of High Consequence Areas identified
- NIPSCO will primarily use Direct Assessment method



#### **Pipeline Integrity Management - (Continued)**

- NIPSCO scheduled to perform a direct assessment of 14.5 Miles of 30" and 36" transmission line in July 2004
- NIPSCO has performed successful hydrostatic test on area of highest risk, 4.5 Mile 36" Transmission line in May 2004





Global Position System and Pipeline Current Mapper – Direct Assessment methods







Hydrostatic test header underway







Hart Ditch "36 line reroute in progress





# **Questions?**

